



Hershey Foods Corporation
Summary Annual Report 1997

Adding Value:
**a Progress
Report**



New Products

#1



1997 was an outstanding year...

Financial Highlights

	1997	1996	Percent Change
In thousands of dollars except per share amounts			
Net sales	\$4,302,236	\$3,989,308	+8
Income before loss on disposal of businesses	336,251	308,538	+9
Net income	336,251	273,186 ^(a)	+23
Income per share:			
Before loss on disposal of businesses – Basic	2.25	2.00	+13
– Diluted	2.23	1.98	+13
Net income – Basic	2.25	1.77 ^(a)	+27
– Diluted	2.23	1.75 ^(a)	+27

^(a)Net income for 1996 included a loss on the disposal of the corporation's European businesses, Gubor and Sperlari, of \$35.4 million or \$.23 per share. No tax benefit was recorded in connection with the loss.

Hershey Foods Corporation...

is the leading North American manufacturer of quality chocolate and non-chocolate confectionery and chocolate-related grocery products; is the leading North American producer of branded, dry pasta products; and has a variety of international operations.

Our Mission...

is to be a focused food company in North America and selected international markets and a leader in every aspect of our business. Our goal is to enhance our number one position in the North American confectionery market, be the leader in U.S. pasta and chocolate-related grocery products, and to build leadership positions in selected international markets.

Reese's Crunchy Cookie Cups, the peanut butter cup with the cookie crunch, were introduced nationally in January 1997. Also available in Canada, this product has established itself as another significant extension of the solid *Reese's* brand franchise.

Hershey Chocolate North America

Major Products

The division produces and markets many favorite American brands. Principal brands include *Almond Joy* and *Mounds* candy bars, *Cadbury's Creme Eggs* candy, *Hershey's Cookies 'n' Creme* candy bar, *Hershey's* milk chocolate and milk chocolate with almonds bars, *Hershey's Nuggets* chocolates, *Hershey's Kisses* and *Hershey's Hugs* chocolates, *Jolly Rancher* candy, *Kit Kat* wafer bar, *Milk Duds* candy, *PayDay* peanut caramel bar, *Reese's Crunchy Cookie Cups*, *Reese's NutRageous* candy bar, *Reese's* peanut butter cups, *Sweet Escapes* candy bars, *TasteTations* candy, *Twizzlers* candy, *Whoppers* malted milk balls, and *York* peppermint patties. Additional brands include *Good & Plenty* candy, *Heath* toffee bar, *Juicyfruits* candy, *Pot of Gold* boxed chocolates, *Rain-blo* and *Super Bubble* gums, and *Wunderbeans* jellybeans. Key Canadian brands include *Brown Cow* and *Strawberry Cow* milk modifiers, *Chipits* chocolate chips, *Eat-More* candy, *Glosette* candy, *Hershey* candy bars, *Oh Henry!* candy bars, *Pot of Gold* boxed chocolates, *Reese Peanut Butter Cups* candy and *Twizzlers* candy. In Mexico, chocolate products are produced and marketed under the *Hershey's* brand name. In addition, some of the division's products manufactured in the United States are sold in Mexico.

Market Position

Hershey Chocolate North America enhanced its leadership position in the North American confectionery market in 1997. The division also continued to hold the leadership position in baking chips and sundae toppings in Canada, and held the number two position in the expanded chocolate bar segment in that country as well as the number two position in the chocolate confectionery and flavored milk drink categories in Mexico.

Factors Affecting Growth

The December 1996 acquisition of Leaf North America carried the division to the North American leadership position in the non-chocolate confectionery category, enhanced its leadership position in the chocolate confectionery category and provided incremental growth in 1997. In addition, successful new product introductions, line extensions of core brands and excellent growth in the division's seasonal packaged candy business contributed to the strong 1997 growth in the corporation's largest division.

Hershey Pasta and Grocery Group

The division produces a broad array of dry pasta products under eight regional brands: *American Beauty*, *Ideal by San Giorgio*, *Light 'n Fluffy*, *P&R*, *Mrs. Weiss*, *Ronzoni*, *San Giorgio* and *Skinner*. Other grocery products include *Hershey's* baking chocolate, *Hershey's* chocolate drink, *Hershey's* chocolate milk mix, *Hershey's Chocolate Shoppe* ice cream toppings, *Hershey's* cocoa, *Hershey's* syrup, *Hershey's Hot Cocoa Collection* hot cocoa mix, *Reese's* peanut butter, and *Hershey's*, *Reese's* and *Heath* baking pieces.

The division continued to hold the number one share position in the U.S. branded dry pasta category. Its regional approach to marketing has been instrumental in gaining and maintaining this leadership position. The division also holds the leadership position in the chocolate syrup and unsweetened cocoa categories in the United States.

The U.S. retail pasta industry experienced a volume decline in 1997 partly as a result of the apparent trend toward away-from-home eating and home meal replacements. However, new chocolate-related grocery product introductions, a solid baking season, strong foodservice sales and increases in the syrup/toppings business contributed to the division's strong performance.

Hershey International

The division markets *Hershey's* branded confectionery and grocery products to over 90 countries worldwide. It sells traditional *Hershey's* chocolate and grocery products, as well as *Hershey's Extra Creamy* milk chocolate which is designed specifically to meet the taste preferences of international consumers. *Hershey's* branded products also are available through licensing agreements with partners in South Korea, Japan, the Philippines and Taiwan.

In Japan, *Hershey's Kisses* milk chocolates are the division's major confectionery product. The division continues to have a strong brand franchise in South Korea where it is the recognized leader in chocolate beverages. One of *Hershey's* strongest markets outside of North America is the Philippines where the division competes successfully in the domestic retail market and duty-free business. *Hershey's* chocolate products have been introduced in Russia and China.

The division continues to focus its efforts on achieving profitable growth and a reasonable return on investments. Latin America, the Far East, Russia and China, as well as licensing and export programs worldwide, provide growth opportunities for the division.

**Hershey Foods Corporation
made excellent progress
toward achieving its goals
during 1997 as a result of
a concentrated focus on
what it does best:**

- producing and marketing
quality products;**
- providing first-class service
to customers; and,**
- managing low-cost, effective
operations.**

1997 was another outstanding year for Hershey Foods Corporation. We worked extremely hard to achieve our goals in a very difficult, competitive climate for our businesses. *Reese's* Peanut Butter Cups and our new product, *Reese's* Crunchy Cookie Cups, are featured on the cover and the inside front cover of this annual report because the *Reese's* brand represents the corporation's largest and most successful brand. These two products, however, also are representative of the current state of your corporation — we may look the same on the outside, but we are significantly different within.

In early 1994, we set an aggressive goal to enhance the utilization of the corporation's assets, leading to an acceleration of profitable growth. We made excellent progress toward achieving this goal during



KENNETH L. WOLFE
Chairman of the Board and
Chief Executive Officer

JOSEPH P. VIVIANO
President and
Chief Operating Officer

1997 as a result of our concentrated focus on what we do best:

- producing and marketing quality products;
- providing first-class service to our customers; and,
- managing low-cost, effective operations.

FOCUS

An organizational structure which keeps employees focused on quality, service and cost effectiveness is essential. We must have employees with the appropriate skills in the proper positions to add value by enhancing the quality of the products and services which we provide. For over a year, we have been in the process of reorganizing the way your corporation does business. The resulting new organizational structure can be summarized as follows:

- **Business Units** — primarily sales and marketing units — which are responsible

for the equity of our brands and for growth, profits and financial returns;

- **Operations Shared Services**, which essentially encompasses the supply chain and focuses on product quality, customer service and financial returns; and,
- **Staff Shared Services**, which represents the traditional staff functions, again with a focus on customer service, cost control and financial returns.

When totally implemented, we expect this new organization to generate increased value from our existing businesses and maximize returns for our stockholders.

CORPORATE-WIDE INITIATIVES

Another aspect of the evolving Hershey Foods organization is the ongoing implementation of a new enterprise-wide initiative (E21) to significantly enhance our information systems and business processes. As we planned the organizational changes discussed

Chocolate Confectionery

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CONSUMER VALUE

The U.S. confectionery category was one of the fastest growing food categories at retail in 1997, and, as category leader, Hershey's brands continued to outpace the industry. A solid basis for this growth was provided by the superior consumer value delivered by our brands — a fact which is recognized and appreciated by consumers.

above, we knew we had reached a strategic juncture in our processing of information. We believe we can gain a competitive advantage in this area and, to that end, we are investing approximately \$80 million in a new enterprise-wide information system utilizing SAP R/3 software. We expect this process to become fully operational during 1999.

Another element of our internal drive for continuous improvement is the adoption of Economic Value Added (EVA¹) concepts to help measure our performance. During 1997, our employees learned these concepts and processes were implemented in order to capture the necessary information needed to utilize EVA. Beginning in 1998, EVA will be a formal part of our compensation program for management, along with two other key measurements — earnings per share and free cash flow.

¹EVA is a registered trademark of Stern Stewart & Co.

HERSHEY CHOCOLATE NORTH AMERICA

Our corporation achieved excellent performance in 1997 led by our largest division, Hershey Chocolate North America. The confectionery category at retail was one of the fastest growing segments of the U.S. food market in 1997, with growth of approximately 5.4%. Once again, Hershey's sales at retail outpaced industry growth and we continued to enhance our leadership positions in both the chocolate and non-chocolate confectionery categories. During 1997, deliberate efforts to eliminate unprofitable items in the newly acquired Leaf business resulted in slower than industry growth for the Leaf brands.

As category leader, Hershey's creative selling, marketing and merchandising tactics continued to infuse the category with excitement. New products such as *Reese's Crunchy Cookie Cups*, *Hershey's Classic*

Non-Chocolate Confectionery

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Non-Chocolate Confectionery Strategy

U.S. confectionery industry sales in dollars are approximately 65% chocolate and 35% non-chocolate confectionery. Until very recently, Hershey Foods was primarily a chocolate company, with approximately 90% of its sales derived from chocolate products. A concerted effort has been made to increase Hershey's sales in the more rapidly growing non-chocolate confectionery category, and, at the end of 1997, the ratio was approximately 80% chocolate and 20% non-chocolate confectionery. The acquisition of the Leaf North American confectionery business helped propel Hershey into the category leadership for non-chocolate confectionery and has enhanced the corporation's leadership in the chocolate category.

Chris Lawrence, Candymaker, *TasteTations* Cooking Kitchen, Luden's Plant of Hershey Chocolate North America

Caramels, *Hershey's Sweet Escapes* reduced-fat and calorie candy bars (with two new flavors introduced in mid-1997), *Hershey's TasteTations* candy and *Hershey's Pot of Gold* boxed chocolates fueled category excitement and provided incremental sales during the year. Core brands were stimulated by our continued creation of unique, thematic merchandising programs such as those related to NASCAR, the NFL, the NCAA Final Four, and, last summer's tie-in with the movie, "The Lost World: Jurassic Park."² This tie-in alone resulted in the largest, most complex promotion ever attempted in the confectionery industry, and the results were outstanding.

LEAF INTEGRATION

Another important aspect of Hershey Chocolate North America's 1997 performance was the successful integration

² NASCAR is a registered trademark of the National Association of Stock Car Autoracing, Inc. NFL is a registered trademark of the National Football League. NCAA and FINAL FOUR are registered trademarks of the National Collegiate Athletic Association. THE LOST WORLD: JURASSIC PARK is a trademark of Universal City Studios, Inc. and Amblin Entertainment, Inc.

of the Leaf North American confectionery business which was acquired at the end of 1996. Leaf's business systems were totally integrated with Hershey's by Memorial Day 1997. We closed the Leaf headquarters building and reduced administrative personnel from 250 to approximately 90 team members, most of whom are now located in Hershey, Pa. Plans to realign Leaf's mid-western manufacturing base with our bi-coastal manufacturing and distribution systems have been finalized and will be completed over the course of the next few years.

By October 1997, the sales effort for the major Leaf products was completely assumed by our existing sales force, thereby streamlining selling and marketing programs. The full impact of this important step will phase in during 1998. In accomplishing this, we integrated the selling

Integration Synergies

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PRODUCT DEVELOPMENT

The Leaf North America confectionery business was successfully integrated with Hershey Chocolate North America during 1997. Leaf's operating margin was improved significantly, and Leaf brands are now poised for additional sales growth. Considering Hershey's record of successful new product development, Leaf brands are being studied for possible line extensions or new product applications. The Jolly Rancher brand's superior fruit flavors present particularly promising prospects for new product development.

Judy Cooley, Senior Staff Scientist, Non-Chocolate Confectionery Product Development, Research and Development

efforts of these products, with our field and national accounts sales teams assuming responsibility for the power brands *Jolly Rancher*, *Whoppers*, *Milk Duds* and *PayDay* and a network of confectionery brokers taking on the rest of the line. These brokers, who also handle *Luden's* and *Heide* items, have proven to be very effective. Currently we are exploring the possibility of line extensions and new products for certain of the former Leaf brands. While the integration process is ongoing, we are well ahead of our integration schedule. The opportunities that initially led us to acquire this large and complex business have become more clearly evident as we continue the integration process.

HERSHEY PASTA AND GROCERY GROUP

1997 also marked the first full year of integrated operations for Hershey Pasta and Grocery Group which became a consolidated

Creative/Innovative Marketing

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CREATIVE MARKETING

As the industry leader, Hershey has been driving the U.S. confectionery category with creative selling, marketing and merchandising programs, heightening consumer interest and providing our customers (retailers) with the incentive to aggressively sell our products. New products play an important role in generating excitement for the category, and creative packaging, which both promotes and protects our products, is an important part of this process.

Bill Pierce, Senior Packaging Technologist, Packaging, Operations Shared Services

division in late 1996. The division significantly improved its profit contribution and returns in both the pasta and grocery product segments of the business. This was accomplished despite continued high durum wheat costs and sluggish category growth in several key segments. During the year, the division retained its market share leadership in the retail dry pasta market and widened the gap with its nearest competitor. Going forward, strategic investments are planned to support profitable growth for this division.

On March 1, 1997, Jay F. Carr, formerly President, Hershey International, became President, Hershey Pasta and Grocery Group, succeeding C. Mickey Skinner. Mickey, who previously had announced his intent to retire from the corporation December 31, 1997, remained active in the pasta and grocery division until his retirement. Mickey joined Hershey 19 years ago when the corporation

acquired his family's pasta business, Skinner Macaroni Company. Under his leadership, our pasta business grew from humble beginnings to the number one position in the domestic branded dry pasta category.

HERSHEY INTERNATIONAL

Patrice N. Le Maire joined the corporation as President, Hershey International, on July 1, 1997. He is responsible for the profitability and growth of the corporation's operations outside North America. Patrice came to Hershey from The Procter & Gamble Company where he served in a series of positions with responsibility for growing international sales. He brings to Hershey the perspective of a multinational leader in consumer product sales and marketing.

During 1997, Hershey International achieved solid sales growth and was significantly more profitable than in previous years. Compared with 1996, however, the

division's 1997 sales were substantially lower as a result of the divestiture of Gubor Schokoladen and Sperlari Srl., our European businesses, in late 1996. During 1998, we expect to invest significant resources to enhance the growth of our international businesses.

OPERATIONS SHARED SERVICES

In addition to these management changes, Raymond Brace, formerly Vice President, Manufacturing, Hershey Chocolate North America, became Vice President, Operations, effective January 1, 1997. He is responsible for the corporate-wide operations shared services of logistics, procurement, engineering, quality assurance and information technology integration. Effective January 1, 1997, Kenneth B. Kwiat succeeded Ray Brace as division Vice President, Manufacturing, and, effective January 1, 1998, he was named Vice President, Manufacturing,

for the entire corporation. He is responsible for all worldwide chocolate, confectionery and pasta manufacturing plants.

HIGHLIGHTS

The corporation celebrated several key anniversaries during 1997. It was the 90th year of producing *Hershey's Kisses* chocolates, an American icon. The brand has been expanded to include *Hershey's Kisses With Almonds* chocolates and *Hershey's Hugs* chocolates.

December 1, 1997, marked the 70th anniversary of the listing of the corporation's Common Stock on the New York Stock Exchange. In addition, the corporation has paid a dividend on the Common Stock every quarter since the first quarter of 1930 — a total of 273 consecutive quarterly dividends paid through March 13, 1998. The 10% increase paid in September 1997 was the 23rd

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C. MICKEY SKINNER RETIRES

C. Mickey Skinner retired December 31, 1997, after devoting 46 years to the U.S. pasta industry. He was a major driver in developing Hershey's pasta business into the market leadership position while providing valuable leadership and counsel to the domestic pasta industry. He played a highly visible and successful role in the National Pasta Association's efforts on behalf of domestic pasta producers.

consecutive annual increase of the dividend rate for the corporation's Common Stock.

Another highlight of 1997 was the August repurchase of 9.9 million shares of Common Stock from the Milton Hershey School Trust for \$500 million. Since mid-1993 we have repurchased through open market and private transactions 37.5 million shares for \$1.3 billion. Our strong cash flow has enabled the corporation to reduce total outstanding shares by almost 21%.

QUALITY THROUGH EXCELLENCE

An important contributor to the corporation's success in 1997 was our continued quest for productivity improvement generated by our Quality Through Excellence initiative. We cannot overemphasize the critical role Hershey employees play in quality enhancement, cost control, customer service and overall productivity improvement.

To recognize the significant contribution by all of our employees to the market growth of the corporation, the Board of Directors approved a worldwide, broad-based employee stock option program in December 1996. This program, called HSY Growth, provided eligible employees with a one-time grant of 100 stock options on January 7, 1997.

This grant enables employees to increase their stake in the corporation or provides them with an opportunity to become owners for the first time. We believe this will provide an even greater incentive for all employees to enhance the value of our businesses for our stockholders.

We have made tremendous strides in achieving the goals we have set for your corporation thanks to the fine efforts of the entire Hershey team. We are committed

**E21
+ EVA**

Effectiveness

to maintaining and enhancing the leadership positions of our businesses, adding value in everything we do and increasing profitability. Most importantly, by focusing on these goals, we are committed to maximizing value for you, our stockholders.

A handwritten signature in black ink, appearing to read "K. L. Wolfe". The signature is fluid and cursive, with the first name "Kenneth" and last name "Wolfe" clearly distinguishable.

Kenneth L. Wolfe

**Chairman of the Board and
Chief Executive Officer**

A handwritten signature in black ink, appearing to read "Joseph P. Viviano". The signature is highly stylized and cursive, with the first name "Joseph" and last name "Viviano" clearly distinguishable.

Joseph P. Viviano

**President and
Chief Operating Officer**

Consolidated Statements of Income

In thousands of dollars except per share amounts

Hershey Foods Corporation

For the years ended December 31,	1997	1996	1995
Net Sales	\$4,302,236	\$3,989,308	\$3,690,667
Costs and Expenses:			
Cost of sales	2,488,896	2,302,089	2,126,274
Selling, marketing and administrative	1,183,130	1,124,087	1,053,758
Restructuring (credit)	—	—	(151)
Loss on disposal of businesses	—	35,352	—
Total costs and expenses	<u>3,672,026</u>	<u>3,461,528</u>	<u>3,179,881</u>
Income before Interest and Income Taxes	630,210	527,780	510,786
Interest expense, net	<u>76,255</u>	<u>48,043</u>	<u>44,833</u>
Income before Income Taxes	553,955	479,737	465,953
Provision for income taxes	<u>217,704</u>	<u>206,551</u>	<u>184,034</u>
Net Income	\$ 336,251	\$ 273,186	\$ 281,919
Net Income Per Share — Basic	\$ 2.25	\$ 1.77	\$ 1.70
Net Income Per Share — Diluted	\$ 2.23	\$ 1.75	\$ 1.69
Cash Dividends Paid Per Share:			
Common Stock	\$.840	\$.760	\$.685
Class B Common Stock	.760	.685	.620

The Consolidated Financial Statements and Management's Discussion and Analysis are included as an appendix to the corporation's Proxy Statement or can be obtained separately through the Investor Relations contact listed on page 39.

Consolidated Balance Sheets

Hershey Foods Corporation

In thousands of dollars

For the years ended December 31,

1997

1996

ASSETS

Current Assets:

Cash and cash equivalents	\$ 54,237	\$ 61,422
Accounts receivable—trade	360,831	294,606
Inventories	505,525	474,978
Deferred income taxes	84,024	94,464
Prepaid expenses and other	30,197	60,759
Total current assets	1,034,814	986,229

Property, Plant and Equipment, Net

1,648,237 1,601,895

Intangibles Resulting from Business Acquisitions

551,849 565,962

Other Assets

56,336 30,710

Total assets

\$ 3,291,236 \$3,184,796

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Accounts payable	\$ 146,932	\$ 134,213
Accrued liabilities	371,545	357,828
Accrued income taxes	19,692	10,254
Short-term debt	232,451	299,469
Current portion of long-term debt	25,095	15,510
Total current liabilities	795,715	817,274

Long-term Debt

1,029,136 655,289

Other Long-term Liabilities

346,500 327,209

Deferred Income Taxes

267,079 224,003

Total liabilities

2,438,430 2,023,775

Stockholders' Equity:

Preferred Stock, shares issued: none in 1997 and 1996	—	—
Common Stock, shares issued: 149,484,964 in 1997 and 149,471,964 in 1996	149,485	149,472
Class B Common Stock, shares issued: 30,465,908 in 1997 and 30,478,908 in 1996	30,465	30,478
Additional paid-in capital	33,852	42,432
Cumulative foreign currency translation adjustments	(42,243)	(32,875)
Unearned ESOP compensation	(28,741)	(31,935)
Retained earnings	1,977,849	1,763,144
Treasury—Common Stock shares, at cost: 37,018,566 in 1997 and 27,009,316 in 1996	(1,267,861)	(759,695)
Total stockholders' equity	852,806	1,161,021
Total liabilities and stockholders' equity	<u>\$ 3,291,236</u>	<u>\$3,184,796</u>

Consolidated Statements of Cash Flows

Hershey Foods Corporation

In thousands of dollars

For the years ended December 31,	1997	1996	1995
Cash Flows Provided from (Used by)			
Operating Activities			
Net income	\$ 336,251	\$ 273,186	\$ 281,919
Adjustments to reconcile net income to net cash provided from operations:			
Depreciation and amortization	152,750	133,476	133,884
Deferred income taxes	16,915	22,863	26,380
Restructuring (credit)	—	—	(151)
Loss on disposal of businesses	—	35,352	—
Changes in assets and liabilities, net of effects from business acquisitions and divestitures:			
Accounts receivable—trade	(68,479)	5,159	1,666
Inventories	(33,538)	(41,038)	28,147
Accounts payable	12,967	14,032	14,767
Other assets and liabilities	55,974	15,120	(11,297)
Other, net	4,018	5,593	19,614
Net Cash Provided from Operating Activities	476,858	463,743	494,929
Cash Flows Provided from (Used by)			
Investing Activities			
Capital additions	(172,939)	(159,433)	(140,626)
Business acquisitions	—	(437,195)	(12,500)
Proceeds from divestitures	—	149,222	—
Other, net	21,368	9,333	8,720
Net Cash (Used by) Investing Activities	(151,571)	(438,073)	(144,406)
Cash Flows Provided from (Used by)			
Financing Activities			
Net change in short-term borrowings partially classified as long-term debt	(217,018)	210,929	103,530
Long-term borrowings	550,000	—	202,448
Repayment of long-term debt	(15,588)	(3,103)	(7,887)
Cash dividends paid	(121,546)	(114,763)	(110,090)
Exercise of stock options	14,397	22,049	15,106
Incentive plan transactions	(35,063)	(45,634)	(21,903)
Repurchase of Common Stock	(507,654)	(66,072)	(526,119)
Net Cash (Used by) Provided from Financing Activities	(332,472)	3,406	(344,915)
Increase (Decrease) in Cash and Cash Equivalents	(7,185)	29,076	5,608
Cash and Cash Equivalents as of January 1	61,422	32,346	26,738
Cash and Cash Equivalents as of December 31	\$ 54,237	\$ 61,422	\$ 32,346
Interest Paid	\$ 64,937	\$ 52,143	\$ 43,731
Income Taxes Paid	181,377	180,347	148,629

The Consolidated Financial Statements and Management's Discussion and Analysis are included as an appendix to the corporation's Proxy Statement or can be obtained separately through the Investor Relations contact listed on page 39.

Investor Information

Stockholders

As of December 31, 1997, Hershey Foods Corporation had outstanding 112,466,398 shares of Common Stock and 30,465,908 shares of Class B Common Stock.

Year	Year-end Common Stock and Class B Common Stockholders	Approximate Annual Composite Trading Volume
1997	44,602	74,781,000
1996	42,483	47,002,000
1995	38,480	30,498,000
1994	34,327	31,330,000
1993	32,859	29,338,000

Stock Market Data

Hershey Foods Corporation's Common Stock is listed and traded principally on the New York Stock Exchange under the ticker symbol "HSY." Class B Common Stock is not listed for trading. The stock tables of most financial publications list the corporation as "Hershey." Options on the corporation's Common Stock are traded on the American Stock Exchange.

Common Stock Profile

1997	Common Stock Price			Dividends Paid Per Share	
	High	Low	Close	Common	Class B
Calendar quarter					
1st Quarter	\$52 $\frac{7}{8}$	\$42 $\frac{7}{8}$	\$50	\$.20	\$.18
2nd Quarter	58 $\frac{7}{8}$	48 $\frac{7}{8}$	55 $\frac{7}{8}$.20	.18
3rd Quarter	59 $\frac{15}{16}$	51 $\frac{7}{8}$	56 $\frac{1}{2}$.22	.20
4th Quarter	63 $\frac{7}{8}$	50 $\frac{7}{8}$	61 $\frac{15}{16}$.22	.20

Dividend Policy

Dividends on Hershey Foods Corporation's Common Stock and Class B Common Stock are declared by the Board of Directors and normally are paid in the months of March, June, September and December.

The dividend paid on the Common Stock on March 13, 1998, was the 273rd consecutive quarterly dividend paid by the corporation. The dividend rate has been increased annually for 23 consecutive years. Historically, the corporation has targeted approximately one-third of income from continuing operations as dividends to stockholders.

Dividend Reinvestment Service

The corporation offers an Automatic Dividend Reinvestment Service to registered holders of Hershey Foods Common Stock. This service provides a convenient method of increasing share ownership without paying brokerage commissions or service fees. The corporation pays all commissions and fees associated with stock purchases made with reinvested dividends. However, under Internal Revenue Service regulations, any fees paid on behalf of stockholders are considered taxable income and will be included on their Form 1099-DIV Statement of Dividends and Distributions. Participants also may make voluntary cash payments of up to \$20,000 annually, for which there are only nominal brokerage commissions and service fees. Approximately one-half of Hershey Foods Corporation's registered stockholders are enrolled in this automatic Dividend Reinvestment Service. For more information, contact:

ChaseMellon Shareholder Services
P.O. Box 3316
South Hackensack, NJ 07606
Telephone: (800) 851-4216
Internet: <http://www.chasemellon.com>

Safe Harbor Statement

The nature of the corporation's operations and the environment in which it operates subject it to changing economic, competitive, regulatory and technological conditions, risks and uncertainties. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the corporation notes the following factors which, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions expressed or implied herein. Factors which could cause results to differ include, but are not limited to: changes in the confectionery and pasta business environment, including actions of competitors and changes in consumer preferences; changes in governmental laws and regulations, including income taxes; market demand for new and existing products; and raw material pricing.

Stockholder Inquiries

Questions relating to stockholder records, change of ownership, change of address and dividend payments should be sent to the corporation's Transfer Agent, ChaseMellon Shareholder Services, listed on page 39.

Financial Information

Security analysts, investment managers and stockholders should direct financial information inquiries to the Investor Relations contact listed on page 39.

1997 Summary Annual Report

To control costs and to better meet our stockholders' needs, we have published a 1997 Summary Annual Report. The Consolidated Financial Statements and Management's Discussion and Analysis are included as an appendix to the corporation's Proxy Statement or can be obtained separately through the Investor Relations contact listed on page 39.

Stockholder Information

Executive Offices

100 Crystal A Drive
P.O. Box 810
Hershey, PA 17033-0810
(717) 534-4000

Transfer Agent and Registrar

ChaseMellon
Shareholder Services
Overpeck Centre
85 Challenger Road
Ridgefield Park, NJ 07660
(800) 851-4216
Internet:
<http://www.chasemellon.com>

Independent Public Accountants

Arthur Andersen LLP
1345 Avenue of the Americas
New York, NY 10105

Investor Relations Contact

James A. Edris
Director, Investor Relations
100 Crystal A Drive
Hershey, PA 17033-0810
(717) 534-7556
Email: jedris@hersheys.com

Form 10-K

Form 10-K, filed annually in March with the Securities and Exchange Commission, is available without charge by contacting Investor Relations at the address and telephone number listed on this page.

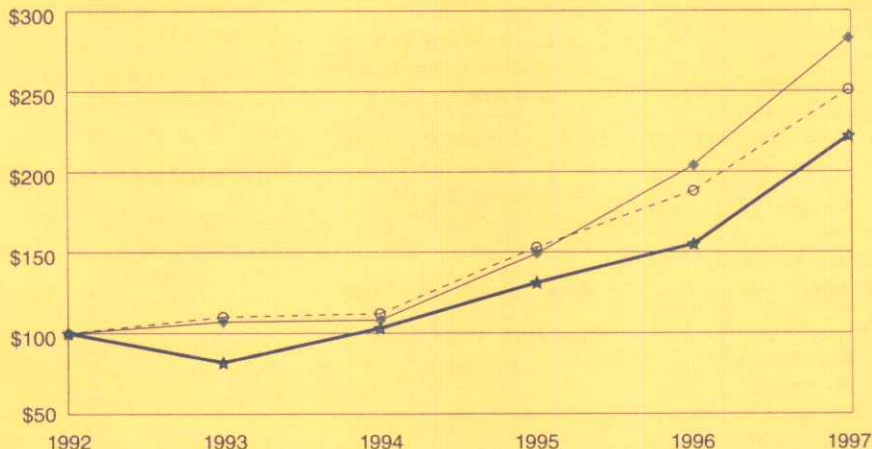
Financial Information

(800) 539-0261
Email: pr@hersheys.com
Internet:
<http://www.hersheys.com>

Comparison of Five-Year Cumulative Total Return*

Hershey Foods Corporation, S&P 500 Index and S&P Food Group Index

◆ Hershey Foods Corporation
-○- S&P 500 Index
★ S&P Food Group Index



*Total return assumes reinvestment of dividends. Assumes \$100 invested on 12/31/92 in Hershey Foods Common Stock, S&P 500 Index and S&P Food Group Index.

Directors and Senior Management

As of March 2, 1998

BOARD OF DIRECTORS

Kenneth L. Wolfe
Chairman of the Board and
Chief Executive Officer

William H. Alexander
Administrator
Family Business Program
The Wharton School of the
University of Pennsylvania
Philadelphia, Pa.

Robert H. Campbell
Chairman of the Board and
Chief Executive Officer
Sun Company, Inc.
Philadelphia, Pa.

C. McCollister Evarts, M.D.
Senior Vice President for
Health Affairs and Dean
The Pennsylvania State
University College of
Medicine
President and Chief
Academic Officer
Penn State Geisinger
Health System
Hershey, Pa.

Bonnie Guiton Hill
President and
Chief Executive Officer
The Times Mirror Foundation
Vice President
The Times Mirror Company
Los Angeles, Calif.

John C. Jamison
Chairman
Mallardee Associates
Williamsburg, Va.

Mackey J. McDonald
President and Chief
Executive Officer
VF Corporation
Wyomissing, Pa.

John M. Pietruski
Chairman of the Board
Texas Biotechnology
Corporation
Houston, Texas

Vincent A. Sarni
Retired Chairman of the
Board and Chief Executive
Officer
PPG Industries, Inc.
Pittsburgh, Pa.

Joseph P. Viviano
President and Chief
Operating Officer

Audit Committee

Bonnie Guiton Hill, Chair
William H. Alexander
Robert H. Campbell
Mackey J. McDonald

Committee on Directors and Corporate Governance

Vincent A. Sarni, Chair
John C. Jamison
John M. Pietruski
Kenneth L. Wolfe

Compensation and Executive Organization Committee

Robert H. Campbell, Chair
C. McCollister Evarts
Mackey J. McDonald
John M. Pietruski
Vincent A. Sarni

Executive Committee

Kenneth L. Wolfe, Chair
Joseph P. Viviano

CORPORATE OFFICERS

Kenneth L. Wolfe
Chairman of the Board and
Chief Executive Officer

Joseph P. Viviano
President and Chief
Operating Officer

William F. Christ
Senior Vice President,
Chief Financial Officer and
Treasurer

Raymond Brace
Vice President
Operations

Charles L. Duncan, Ph.D.
Vice President
Research and Development

Kenneth B. Kwiat
Vice President
Manufacturing

Sharon A. Lambly
Vice President
Human Resources

Robert M. Reese
Vice President, General
Counsel and Secretary

David W. Tacka
Corporate Controller and
Chief Accounting Officer

DIVISION EXECUTIVES

Jay F. Carr
President
Hershey Pasta and
Grocery Group

Patrice N. Le Maire
President
Hershey International

Michael F. Pasquale
President
Hershey Chocolate
North America



MANAGEMENT COMMITTEE from left to right:
Michael F. Pasquale, Kenneth B. Kwiat, Patrice N. Le Maire,
William F. Christ, Kenneth L. Wolfe, Joseph P. Viviano,
Robert M. Reese, Jay F. Carr, Raymond Brace

Celebrating 90 Years of Kisses (and Hugs)



Sales Growth

1907

1917

1927

1937

1947



1907

Hershey's Kisses chocolates introduced. Each Kiss was hand-wrapped in silver foil and included a tissue square with the company's trademark.

1921

The addition of the familiar Kiss plume was made possible with the internally developed Kiss wrapping machine.



1923

Seasonal Christmas overwrap added to Kiss packaging. Easter seasonal overwrap introduced in 1939.



1957



1967



1977



1987



1997

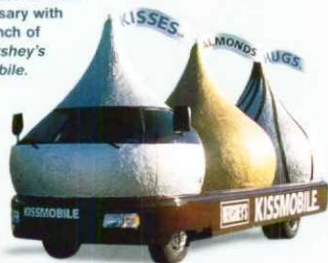
1962
Hershey's Kisses wrapped in colors other than silver for the first time. (Red, green and silver for Christmas.)



1990
Hershey's Kisses With Almonds chocolates introduced.

1993
Hershey's Hugs and Hugs With Almonds chocolates introduced.

1997
Hershey's Kisses celebrates its 90th anniversary with the launch of the Hershey's Kissmobile.



1978
Hershey's Kisses





"I EAT THEM IN PHASES."
(RICHARD CHANDLER, ASTRONOMER)

THERE'S
NO WRONG WAY
TO EAT A

Reese's
PEANUT BUTTER CUPS